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AMEMBASSY OTTAWA
DEPARTMENT OF COMMERCE WASHDC
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SUBJECT: U.S. Remains Jordan's Top Trading Partner as Jordan Builds Trade Relations Around The World

Refs: A) Amman 3755

B) Amman 3472

1. Summary: Jordan's trade deficit increased 12.3 percent to JD 3.807 billion (USD 5.377 billion) during the first nine months of 2007. Although exports to the United States have slightly decreased in 2007, Jordan has increased imports of American goods by approximately 8.1%, yielding an overall increase in U.S.-Jordan trade and a more favorable trade balance towards the United States. While the U.S. remains Jordan's top trading partner, the GOJ maintains an active trade relationship with neighboring countries, and has been energetically pursuing enhanced trade arrangements with Canada, Pakistan, Turkey, China, and Kazakhstan. The Greater Arab Free Trade Area countries, as a whole, represent Jordan's largest export-import market which includes the purchase of crude oil from Saudi Arabia. Jordan also imports a significant amount of products from the European Union (EU) and Asian countries, particularly China. End Summary.

Overall Trade

2. The Department of Statistics (DOS) reported a rise in Jordan's total exports by 10.5% to JD 2.997 billion (USD 4.233 billion) during the first nine months of 2007. Specifically, Jordan increased national exports of vegetables, pharmaceutical products, phosphates, fertilizers, and potash. During this timeframe, Jordan also increased imports by 11.5% to JD 6.804 billion (USD 9.61 billion). As a result, Jordan's trade deficit widened to JD 3.807 billion (USD 5.377 billion).

U.S.-Jordan Trade

3. In 1998, the U.S., Jordan, and Israel designated Qualifying Industrial Zones (QIZ's) in Jordan, allowing goods produced in the zones to enter the U.S. duty and quota free contingent on meeting certain rules of origin, including a requirement for 8% Israeli content. The QIZ's helped fuel Jordan's exports to the U.S. and set the stage for the U.S.-Jordan Free Trade Agreement (FTA), which

entered into force in December 2001. Jordan continues to laud the FTA as a model for its current and future trade regimes. NOTE: In addition to the QIZ agreement, Jordan and Israel have had a trade relationship since 1995. For the period January - September 2007, Jordan exported JD 71.5 million (USD 100 million) worth of goods to Israel and imported JD 75 million (USD 106 million). END NOTE.

¶4. According to the DOS, Jordanian exports to the U.S. decreased 0.1% to JD 672.6 million (USD 950 million) during January - September 2007, compared to 673 million (USD 950.6 million) during the same period last year. This change largely reflected a slight 1.9% decline in Jordan's total garment exports to JD 650.6 million (USD 918.9 million) during the first three quarters of 2007.

¶5. However, Jordan imported JD 323.7 million (USD 457.2 million) from the United States during the first three quarters of 2007, representing a 8.1% increase over the same period in 2006. This increase offset the decrease in Jordanian exports to the U.S., resulting in an overall rise in the total bilateral trade to USD 1.41 billion. It also decreased the U.S. trade deficit with Jordan to USD 492.9 million for the first nine months of 2007, compared to USD 527.7 million for January-September 2006.

Greater Arab Free Trade Area: Exports to Iraq Rising

¶6. Jordan is part of the Greater Arab Free Trade Area (GAFTA) which has been in force since January 1998, and as a whole, represents a larger market than the U.S. The GAFTA reached full trade liberalization of goods in January 2005 through full exemption of customs duties and charges for all 17 Arab members, with the exception of gradual reductions for Sudan and Yemen which are expected to benefit from full exemption by the end of 2010. Jordan

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has also signed trade preference agreements and bilateral free trade agreements with several Arab countries, including Egypt (entered into force in 1999), Syria (2002), Morocco (1999), Tunisia (1999), the UAE (2001), Algeria (1999), Lebanon (1993), the Palestinian National Authority (1995), Kuwait (2005), Sudan (2003), and Bahrain (2005). The Jordanian Ministry of Industry and Trade (MOIT) has noted that these agreements are applied in parallel to the GAFTA, with the GAFTA often providing more trade preferences than most of the bilateral trade agreements (www.mit.gov.jo provides more information on the provisions in each bilateral agreement).

¶7. During the first nine months of 2007, Jordan increased exports by 13% to JD 996 million (USD 1.4 billion) to the GAFTA countries. In particular, Jordanian exports to Iraq grew 2.8% to JD 265 million, compared to JD 258 million during the same period last year. Jordan also imported JD 2.155 million in goods from the GAFTA, which comprised 31.5% of Jordan's total imports. Imports from these Arab countries, however, represented a 0.5% decrease over last year, including a notable 16% drop in imports from Saudi Arabia, which is the main crude oil exporter to Jordan.

EU-Jordan

¶8. In May 2002, the EU-Jordan Association Agreement went into force with the aim of creating a free trade area between Jordan and the EU Member States through the elimination of tariffs and the reduction of non-tariff barriers over a transitional period of 12 years. Specific provisions apply to trade in agriculture, with the goal of full liberalization by 2010. Jordan also signed a Free Trade Area Agreement in 2001 with the European Free Trade Association (EFTA) states (Iceland, Liechtenstein, Norway, and Switzerland), which aims for complete trade liberalization by 2014.

¶9. In 2006, the Agadir Agreement between Jordan, Egypt, Tunisia, and Morocco went into force. The Agadir Agreement adopted the Pan-EUROMED Rules of Origin system to allow diagonal accumulation of origin amongst member countries. In other words, production input components originating in any of the Agadir countries, EU countries, or EFTA countries can be used towards meeting the rules of origin requirements for EU customs duties exemptions when exporting under

the member countries' respective Association Agreements with the EU.

¶10. During the first nine months of 2007, Jordanian imports from the European Union rose 19.7% to reach JD 1.725 billion. Jordanian goods, however, have still not been able to penetrate European markets under the EU-Jordan Association or Agadir Agreement to the desired level, demonstrated by only JD 81.1 million in exports to the EU during the first nine months of 2007.

Expanding Trade with Asian Countries

¶11. In 2004, Jordan and Singapore signed an agreement to establish a free trade area between the two countries that went into force in August 2005. In addition to expanding bilateral trade ties, the agreement aimed to create new export opportunities for Jordanian products worldwide through the possibility of diagonal accumulation of origin with countries that have concluded free trade agreements with both Jordan and Singapore.

¶12. Although Jordan's trade with Singapore continues to consist primarily of imports totaling about JD 57 million (USD 80.5 million) from January to September 2007, more Jordanian products entered other Asian countries during this time period, demonstrated by a 21.8% increase in Jordanian exports to India. Jordanian imports from Asian countries, China in particular, also rose 16% to JD 1.971 billion. Jordanian officials report that according to test results, Jordan has not imported any of the tainted Chinese products that have emerged in the U.S. and other markets.

Pursuing Trade Partners Across the Globe

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¶13. As part of its efforts to expand markets, Jordan has pursued several other trade arrangements:

- Turkey: MOIT Secretary General Oklah told Econoffs November 13 that Jordan and Turkey are entering the final negotiation stages on a free trade agreement, with the goal of signing an agreement by early December. Oklah noted that trade between the two countries from January to September 2007 was about JD 300 million (USD 423.7 million) with the trade balance largely in Turkey's favor, as Jordan imported JD 200 million (USD 282.5 million) worth of goods.

- Canada: During a July 2007 visit to Canada, King Abdullah expressed interest in entering negotiations for a free trade agreement. Although developments like the resumption of Royal Jordanian airline flights to Montreal have demonstrated new business opportunities between the two nations, at present bilateral trade volumes are not very high, with the balance in Canada's favor. Imports from Canada stood at JD 41.2 million (USD 57.7 million) in 2006, while Jordan's exports to Canada were JD 5.5 million (7.7 million), according to the DOS.

- Pakistan: As reported in the Jordan Times, King Abdullah said during a November 2007 visit to Islamabad that Jordan is keen to conclude as soon as possible a free trade agreement with Pakistan. During the first nine months of 2007, Jordan exported JD 20 million (USD 28.2 million) to Pakistan and imported JD 11.7 million (USD 16.5 million).

- Kazakhstan: A memorandum of understanding will facilitate the regular importation of wheat from Kazakhstan, but does not constitute a free trade agreement, explained MOIT Secretary General Oklah (Ref A).

- China: During the King's state visit to China in October 2007, China and Jordan signed an agreement on economic and technological cooperation. According to the DOS, Jordan imported JD 707 million (USD 998.6 million) from China and exported only about JD 30.7 million (USD 43.4 million) to China from January to September 2007. China imports chemical products, leather, and agricultural products from Jordan and exports chemical products and machinery.

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